

[REDACTED]

[REDACTED]

[REDACTED]

MAR 20 1982

Gentlemen:

Your application for exemption from Federal income tax as an organization described in Section 501(c)(7) of the Internal Revenue Code has been considered.

The information submitted discloses that your organization was created by the adoption of Bylaws on [REDACTED] [REDACTED] [REDACTED]. Your Bylaws list the rules of operation for a baseball league, but do not specifically state the purpose of the organization.

Your league consists of [REDACTED] teams which play scheduled games. Your primary source of income is fund-raisers, such as raffles, dances, admission to an All-Star game, and ads sold.

Section 501(c)(7) of the Internal Revenue Code grants exemption to clubs organized for pleasure, recreation, and other nonprofitable purposes substantially all of the activities of which are for such purposes, and no part of the net earnings of which inures to the benefit of any private shareholder.

In applying the term, "other nonprofitable purposes", (as used above) the Service has long held and was sustained by the courts that this means other purposes similar to pleasure and recreation. (Keystone Automobile Club v. Commissioner, 181 F. 2d 402 (1950)).

Section 1.501(c)(7) of the Income Tax Regulations states that a club which engages in business is not organized and operated for pleasure, recreation, and other non-profitable purposes, and is not exempt under Section 501(c)(7). A club will not be denied exemption merely because, on occasion, the public is permitted to participate in its affairs. However, such participation must be incidental to and in furtherance of its general purposes, and the income therefrom may not inure to the benefit of the members. Where a club makes its activities available to the general public and the members receive inurement in the form of less assessments or dues, it is evident that the club is not operating as an exempt social club.

Public Law 94-568 states that no more than 15% of gross receipts should be derived from non-members of a social club during any fiscal year. The amount received from non-members in your case appears to be approximately [REDACTED] %.

[REDACTED]

[REDACTED]

Based upon the information submitted it is our conclusion that you are not operating exclusively for pleasure, recreation and other nonproftable purposes and that you do not qualify for exemption as an organization described in Section 501(c)(7) of the code. Your request for exempt status under Section 501(c)(7) is denied and you will be required to file Federal Income tax returns on Form 1120 each year.

If you do not agree with these conclusions, you may request Appeals Office consideration. To do this, you must submit to the District Director within 30 days from the date of this letter, a statement of facts, law, and arguments, in duplicate, which will clearly set forth your position. You also must state whether you wish an Appeals Office conference. Any submission must be signed by one of your principal officers. If the matter is to be handled by a representative, the Conference and Practice Requirements regarding the filing of a power of attorney and evidence of enrollment to practice must be met.

If we do not hear from you within the time specified, this communication will become our determination in the matter.

Very truly yours,

[REDACTED]
District Director

Enclosure:
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